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ORIGIN EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 T-03 /102 R

DRAFTED BY EUR/ NE: JFBECELIA: SMW

3/26/73 EXT. 23077

APPROVED BY EUR/ NE: SGEORGE

EB/ IFD/ OFD - T. SCHAEFER (SUBS.)

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R 262206 Z MAR 73

FM SECSTATE WASHDC

TO AMEMBASSY VALLETTA

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E. O. 11652: N/ A

TAGS: ECON, MT, IBRD

SUBJECT: FINDINGS OF IBRD TEAM IN MALTA

REF: VALLETTA 395

1. PURSUANT REFTEL, WE DISCUSSED FINDINGS OF IBRD TEAM WHICH VISITED MALTA JAN- FEB WITH BANK OFFICIALS. F. A. ATABANI, WHO LED MISSION, TOLD US TEAM HAD INFORMED GOM THAT IBRD COULD BEST AID MALTA' S DEVELOPMENT BY PROVIDING TECHNICAL ASSISTANCE TO TRANSFORM MALTA DEVELOPMENT CORPORATION INTO FULL- FLEDGED INVESTMENT BANK. ATABANI SAID MINTOFF HAD STRONGLY PROTESTED IBRD INSISTENCE THAT SUCH INSTITUTION MUST HAVE MAJORITY PRIVATE PARTICIPATION, BUT THAT HE EVENTUALLY ACCEDED. HOWEVER, BALL STILL IN MALTESE COURT SINCE BANK NEEDS TO SEE PRELIMINARY GOM PROPOSALS FOR RESTRUCTURING MDC, SPECIFICS OF GOM' S OVERALL INDUSTRIALIZATION EFFORTS, AND ANY NECESSARY DRAFT LEGISLATION BEFORE IT PROCEEDS FURTHER. BANK OFFICIALS MAY VISIT MALTA AGAIN IN MAY OR JUNE TO CHECK ON PROGRESS. CONFIRMING INFORMATION REFTEL, ATABANI SAID SIZE OF MALTESE ECONOMY INHIBITED TYPE

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OF LOAN ASSISTANCE GENERALLY PROVIDED BY IBRD, BUT ADDED THAT SOME FUNDS MIGHT BE CHanneled INTO PROPOSED INVESTMENT BANK ONCE IT FUNCTIONING.

2. BANK OFFICIALS REFUTED MINTOFF' S CLAIM THAT IBRD HAD PRAISREPORT FROM CANADA ALLEGES THAT GOC BELIEVES IT WAS MISLED BY USG INTO ACCEPTING ICCS ROLE DESPITE MISGIVINGS BASED ON PREVIOUS ICC EXPERIENCE. ACCORDING

" RELIABLE" CANADIAN SOURCES, BOTH GREEN AND SULLIVAN PERSUADED GOC LAST FALL THAT OTHER ICCS PARTIES HAD AGREED TO SERVE, AND THAT C- F AGREEMENT DEPENDED ON CANADA' S ACCEPTING ROLE. CANADIANS SOON DISCOVERED THAT OTHER ICCS MEMBERS HAD NOT YET AGREED TO PARTICIPATE. SOME CANADIAN DIPLOMATS NOW SUSPECT THAT STRANGELY SUBDUED USG ATTITUDE TOWARDS BLATANT COMMUNIST C- F VIOLATIONS CAN ONLY BE EXPLAINED BY SOME KIND OF SECRET HANOI- WASHINGTON DEAL THAT WILL RESULT IN GVN GOING DOWN DRAIN ONCE US COMPLETES TROOP WITHDRAWAL AND POW RETURN.

3. INDONESIAN ICCS MEMBER SHOT IN CAN THO - FIRST ICCS CASUALTY. POLICE HAVE NO LEADS (NYT, SUN).

4. 210 POWS REFUSE REPATRIATION TO NVN. COMMUNIST JMC DELS NOT PRESENT TO WITNESS EVENT; ICCS " TAKES NOTE" GVN MAY PUT DEFECTORS INTO " CHIEU HOI" PROGRAM (SUN, CHITRIB). 5000 ARVN IN DANANG FAREUELL CEREMONY TO DEPARTING US TROOPS (NYDN).

5. POST' S GREENWAY REPORTS FROM PP DETERIORATION IN POPULARITY OF LON NOL REGIME STEMMING FROM WEAK LEADERSHIP, CORRUPTION, AND MACHINATIONS OF LON NON. US EMBARRASSED BY LON NON' S ACTIVITIES, BUT FEELS WEDDED TO REGIME LONG AS HOSTILITIES CONTINUE. PRESIDENT IN RECENT NOTE RENEWED US ADMIRATION FOR KHMER COURAGE UNDER LON NOL' S LEADERSHIP AND PLEDGED CONTINUED US SUPPORT TO GKR, AND UNDER SECRETARY PORTER IN SPEECH DESCRIBED " LARGE DEGREE OF POLITICAL STABILITY IN UNCLASSIFIED

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CAMBODIA UNDER THE LEADERSHIP OF LON NOL." BUT RESPECTED KHMER POLITICIAN SEES COUNTRY SPLITTING INTO PIECES, AS B-52 RAIDS NEARBY RATTLE PP WINDOWS NIGHTLY.

6. NYT' S BROWNE WITNESSES BURNING OF OPIUM IN LAOTIAN VILLAGE. BAN NA KONG VILLAGE OPIUM PRODUCTION CONTROL PROJECT DESIGNED PROVIDE FINANCIAL AND OTHER INDUCEMENTS TRIBESMEN NOT TO GROW POPPIES. RLG OFFICIAL SAYS THE MORE US IMPEDES OPIUM PRODUCTION, THE HIGHER THE MARKET PRICE, HENCE GREATER INDUCEMENT TO GROW POPPIES. " IF I WERE MEO, I, TOO WOULD HELP YOU WITH NARCOTICS SUPPRESSION, UNTIL THE PRICE IS RIGHT."

7. AP SEOUL DISPATCH REPORTS ROK DEFENSE MINISTRY' S ANNOUNCEMENT OF VC RELEASE OF ROK' S ONLY KNOWN MILITARY POW IN VN (SUN).

8. NYT SAYS CRITICAL QUESTION ABOUT VN' S IMMEDIATE FUTURE IS WHETHER ADMINISTRATION CLAIMS RIGHT TO

ENFORCE TRUCE ON ITS OWN. IMPRESSION IN WASHINGTON THAT PRESIDENT WOULD RESUME BOMBING AGAINST NVN IF TRUCE TOO BLATANTLY VIOLATED. SOME OFFICIALS EVEN IMPLY HE HAS RIGHT, UNDER " EMERGENCY" POWERS, TO ACT WITHOUT CONGRESSIONAL OR INTERNATIONAL AUTHORITY TO ENFORCE C- F AGREEMENTS. WITH DISENGAGEMENT, US WOULD NO LONGER BE CALLING SHOTS IN SVN. TRUCE ENFORCEMENT WILL BE RESPONSIBILITY OF AN INTERNATIONAL MECHANISM AND, ULTIMATELY, VIETNAMESE THEMSELVES.

9. RUSSELL KIRK (SUN) THINKS DURATION OF PEACE MAY DEPEND ON NIXON' S SKILL IN DEALING WITH RUSSIA AND CHINA. HE KNOWS HOW TO COMBINE SKILLS OF DIPLOMACY WITH MILITARY DECISIVENESS. -

10. CSM SEES GROUND FOR HOPE THAT VN WILL BE SPARED ANOTHER ROUND OF MAJOR WARFARE, HOWEVER UNCERTAIN PROSPECTS MIGHT LOOK AS FIRST 60 DAYS OF C- F END. US, USSR, AND CHINA MUST ENCOURAGE THEIR CLIENTS TO CONCENTRATE ON PEACE.

11. EVANS/ NOVAK (WP) CHARACTERIZE AS " WISHFUL THINKING" UNCLASSIFIED

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TENTATIVE CONVICTION OF US POLICYMAKERS THAT INFILTRATION BY NVN HAS " LIMITED MOTIVES" OF BRINGING NVA BACK UP TO SPRING OFFENSIVE LEVEL AND SHOWING LOCAL CADRES IT STILL CARES. INFILTRATION TODAY SEEMS TO BEAR LITTLE RELATION TO GUERRILLA OPERATIONS, QUEST FOR " HEARTS AND MINDS", OR INTERNAL VN POLITICS. HANOI HAS AN ESTIMATED 145,000 TROOPS IN SVN
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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE055345
Document Source: CORE
Document Unique ID: 00
Drafter: JFBECELIA: SMW
Enclosure: n/a
Executive Order: n/a
Errors: CORE6
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730340/aaaaikna.tel
Line Count: 167
Locator: TEXT ON-LINE
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 VALLETTA 395
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 18 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18-Sep-2001 by elyme>; APPROVED <03-Oct-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980106
Subject: FINDINGS OF IBRD TEAM IN MALTA
TAGS: ECON, MT, IBRD
To: VALLETTA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005